

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 EB-11 NSC-10 RSC-01

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R 211721Z DEC 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5663

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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C O R R E C T E D C O P Y (MRN 32664 VICE 22664)

PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: FINANCE MINISTER DEFENDS BEFORE ASSEMBLY FRENCH POSITION  
IN MONETARY REFORM NEGOTIATIONS

PASS TREASURY AND FEDERAL RESERVE

1. SUMMARY: IN DECEMBER 19 ASSEMBLY DEBATE, FINANCE MINISTER  
GISCARD D'ESTAING DEFENDED FRENCH GOVT'S CONDUCT OF MONETARY  
REFORM NEGOTIATIONS AGAINST CHARGES OF SELL OUT TO U.S., MADE  
BY FORMER PRIME MINISTER DEBRE AND OTHER CRITICS. THURST OF GISCARD'S  
ARGUMENT WAS TWOFOLD: FIRST, THAT FRANCE HAD TRIED TO TAILOR ITS  
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POSITION TO CURRENT REALITIES, RATHER THAN DEFENDING POLITICALLY

ISOLATED AND TECHNICALLY OUT-MODED CONCEPTS;  
SECOND, THAT U.S. HAD MOVED ON SEVERAL IMPORTANT ISSUES IN  
NEGOTIATION,  
INCLUDING PRINCIPLE OF CONVERTIBILITY, AND THAT FRANCE WAS LINED  
UP WITH MOST OTHER COUNTRIES, AND AGAINST U.S., ON SUCH CRUCIAL  
ISSUES AS SPECIFICS OF CONVERTIBILITY ARRANGEMENTS AND ROLE OF  
INDICATORS IN DETERMINING PARITY CHANGES. GISCARD ALSO REJECTED  
AS BORDERING ON ABSURD SUGGESTION BY COMMUNIST ORATOR THAT GOVT'S  
POLICIES WERE LEADING TO DEVALUATION OF FRANC IN 1974. END SUMMARY.

2. DURING QUESTION TIME IN FRENCH NATIONAL ASSEMBLY DEC 19,  
ECONOMICS AND FINANCE MINISTER GISCARD D'ESTAING MADE SPIRITED  
DEFENSE OF GOVT'S CONDUCT OF MONETARY REFORM NEGOTIATIONS. FORMER  
PRIME MINISTER DEBRE SPEARHEADED ATTACK ON GOVT'S STANCE, WITH  
ACCUSATION THAT GOVT HAD ABANDONED CLASSIC GOLD-BASED FRENCH  
POSITION RE MONETARY SYSTEM AND SOLD  
OUT TO U.S. HOWEVER, SPEAKERS FROM ACROSS POLITICAL SPECTRUM  
(COMMUNISTS, SOCIALISTS AND PRO-GOVT CENTER) ALL ECHOED DEBRE'S  
CRITICISM THAT FRANCE HAD GIVEN IN TO "AMERICAN DOMINATION" AND  
"AMERICAN HEGEMONY" IN MONETARY FIELD.

3. IN HIS REPLY, GISCARD RESTATED KNOWN FRENCH POSITIONS ON  
MAJOR ISSUES OF REFORM NEGOTIATIONS: (A) SYSTEM OF FIXED  
PARITIES; (B) CONVERTIBILITY OF PRINCIPAL  
CURRENCIES; (C) "ABSTRACT" NUMERAIRE, IN ALL LIKELIHOOD DETACHED  
FROM GOLD, WITH VALUE DEFINED IN TERMS  
OF BASKET OF STRONG CURRENCIES; (D) PRECISE AND STRICT RULES FOR  
CREATION OF SDRS; (E) SDR-AID LINK; (F) PRESERVATION OF MONETARY  
ROLE FOR GOLD\*AND (G) INTERNATIONAL MONETARY COOPERATION. HE MADE  
CLEAR HIS PRESENTATION WAS IN LINE WITH THINKING OF PRESIDENT  
POMPIDOU IN THIS FIELD.

4. IN REFUTING CHARGE THAT FRANCE HAD SOLD OUT TO U.S., GISCARD  
MADE FOLLOWING POINTS:

(A) ON CONVERTIBILITY, U.S. HAS BEEN THE ONE TO MOVE BY  
ACCEPTING PRINCIPLE. HOWEVER, DISAGREEMENT REMAINS ON PRECISE  
ARRANGEMENTS, WITH FRANCE ADVOCATING  
MULTILTATERAL AND MANDATORY CONVERTIBILITY, WHEREAS U.S. WANTS  
BILATERAL, OPTIONAL CONVERTIBILITY. "WE COULD NOT GIVE OUR  
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AGREEMENT TO A REFORM THAT DID NOT INCLUDE SOLUTION FOR PROBLEM  
OF CONVERTIBILITY."

(B) RE FORMULA OF "FIXED BUT ADJUSTABLE PARITIES," GISCARD  
SAID ANY PARITY IS ADJUSTABLE; QUESTION IS TO KNOW WHEN AND HOW.  
FRENCH THESIS HOLDS THAT PARITY CHANGE MUST BE DETERMINED ON BASIS  
OF OVER-ALL ASSESSMENT OF ECONOMIC AND MONETARY POLICY OF COUNTRY  
IN QUESTION. THIS POSITION ACCORDS WITH THAT OF VIRTUALLY

ALL PARTIES TO NEGOTIATION EXCEPT U.S.

5. GISCARD SAID C-20 MINISTERIAL IN ROME ON JANUARY 18-19 WOULD TAKE UP QUESTION OF SDRS. HE REJECTED CHARGE THAT CREATION OF SDRS WOULD, IN FACT, BE CONTROLLED BY U.S., POINTING OUT THAT WHATEVER WAS FUTURE ORGANIZATION OF IMF, THERE WAS NO POSSIBILITY THAT U.S. COULD HAVE MAJORITY IN EXECUTIVE BOARD.

6. IN REPLY TO QUESTION FROM COMMUNIST ORATOR, GISCARD SAID, " IDEA OF DEVALUATION OF FRANC IN 1974 BORDERS ON ABSURD."

7. IN HIS REBUTTAL, DEBRE MADE TWO POINTS:

(A) IT IS TO BE FEARED THAT WE ARE MOVING TOWARDS TWO INTERNATIONAL MONETARY SYSTEMS: FIRST WOULD LINK U.S. TO COUNTRIES WHICH IT RESPECTS (USSR, CHINA, AND ARAB STATES), AND WOULD TAKE FORM OF CONTRACTUAL ARRANGEMENTS BASED DIRECTLY, OR INDIRECTLY, ON GOLD. SECOND WOULD LINK U.S. TO COUNTRIES THAT ARE VASSALS OF U.S.

(B) U.S. NEGOTIATORS CONSTANTLY CITE CONGRESS AS REASON WHY THEY CANNOT ACCEPT THIS OR THAT PROPOSAL. FRENCH NEGOTIATORS SHOULD TAKE A LEAF FROM U.S. BOOK AND REJECT THOSE POINTS THAT MIGHT NOT BE RATIFIED BY A PARLIAMENT ALERT IN THE DEFENSE OF NATIONAL CAUSE AND EUROPEAN CAUSE.

8. EXERCISING MINISTERIAL PREROGATIVE TO HAVE LAST WORD, GISCARD CLOSED DEBATE BY ARGUING THAT WHILE U.S. ECONOMY WAS STILL VERY INFLUENTIAL, IT WAS NOT A HEGEMONY. ANSWER TO PROBLEM OF U.S. ECONOMIC AND FINANCIAL POWER WAS ECONOMIC AND MONETARY UNION OF EUROPE. FINALLY, FRENCH POSITION COULD NOT BE DEFINED AS RAPPROCHEMENT  
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WITH U.S. AS MATTER OF FACT, THERE HAD BEEN EVOLUTION OF INTERNATIONAL THINKING, WHICH INCLUDED MODIFICATION OF CERTAIN U.S. POSITIONS. REAL DANGER WOULD BE FOR FRANCE TO DEFEND POLITICALLY ISOLATED AND TECHNICALLY OUT-MODED POSITIONS. IF FRENCH NEGOTIATORS WERE TO FEEL THEMSELVES CUT OFF FROM THEIR EUROPEAN PARTNERS, IT WOULD HAVE TO BE ON A POINT WHERE FRENCH POSITION WAS TECHNICALLY SOUND ENOUGH TO RALLY OTHER EUROPEANS THERETO.STONE

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